# CHAPTER 2

REVIEW OF LITERATURE & CONCEPTUAL FRAMEWORK

## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Introduction to chapter 2</td>
</tr>
<tr>
<td>2.2</td>
<td>Review of literature</td>
</tr>
<tr>
<td>2.2.1</td>
<td>Review of literature - Customer Relationship Management</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Review of literature - Customer Satisfaction</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Review of literature - Customer Loyalty</td>
</tr>
<tr>
<td>2.3</td>
<td>Theoretical Background</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Theoretical Background - Customer Relationship Management</td>
</tr>
<tr>
<td>2.3.2</td>
<td>Theoretical Background - Customer Satisfaction</td>
</tr>
<tr>
<td>2.3.3</td>
<td>Theoretical Background - Customer Loyalty</td>
</tr>
<tr>
<td>2.4</td>
<td>Conceptual framework of study</td>
</tr>
<tr>
<td>2.5</td>
<td>Hypothetical models of study</td>
</tr>
<tr>
<td></td>
<td>References</td>
</tr>
</tbody>
</table>
2.1 Introduction to chapter 2

The researcher has studied the existing literature about the various aspects involved in the study. He has referred various research papers, dissertation & theses, books, published reports & information available on internet resources.

This chapter is divided into two parts i.e.

1. Review of literature
2. Conceptual framework

The first part i.e. Review of literature deals with the summary of the existing research work done by various researchers about the topic of interest i.e. Customer Relationship Management, Customer Satisfaction & Customer Loyalty. The researcher has predominantly studied these concepts with reference to Retail Banking industry so that the literature studied is extremely relevant to the area of this research.

The second part i.e. Conceptual Framework deals with the summary of conceptual understanding that has taken place for the researcher.

2.2 Review of literature

2.2.1 Review of literature- Customer Relationship Management

Semith Onut, Ibrahim Erdem and Bora Hosver (2001)\(^1\) discussed the role of Customer Relationship Management in banking sector & the need for Customer Relationship Management to enhance customer value by using some analytical methods in CRM applications.

Results obtained by extensive usage of customer data to develop and apply Relational Marketing have convinced the Garanti Bank to proceed along the line undertaken.
As lists of customers eligible for four very important banking product/services are available, the following actions are now being implemented:

- Extension of promotions to a larger customer population by having salespeople in the branches contacting progressively 15,000 customers

- Targeted campaigns through Internet and the call center for customers actively using one or both of these innovative channels for their banking operations.

The same approach is now extended by banks to small and medium enterprises & to commercial customers. Also, the analytical and strategic CRM cycle is being completed by developing an application for analyzing customer attrition and implementing strategies to reduce the same.

V. J. Sivakumar (2003) in his Ph. D. study titled “Customer Relationship Management in Indian Banking Industry - A Study with Reference to Retail Banking” highlighted the various CRM practices in banks & identified key variables that contribute to relationship enhancement. He analyzed the behavioral patterns of the customers with respect to retail banking & identified the variables influencing the behavioral patterns. He also analyzed the levels of customer satisfaction & identified the gaps if any between actual & expected levels of service quality. According to him, there are ten service variables that are likely to influence the choice of the bank. They are speed of operation, location, service quality, computerized service, door services, flexible working hours, holiday services, handling complaints, simplicity of operation and secrecy. He states that, there are fourteen product variables that are likely to influence the choice of the bank. They are ATM facility, interest rate, bank image, variety in service, safety, DMAT facility, ambience, parking facility, number of branches, availability of cash, club membership, societal commitments, credit card facility & loan facility. He concluded that, there are ten personnel variables that are likely to influence the choice of the bank. They are attentiveness, trustworthiness,
assurance, personal touch, past experience, reliability, responsiveness, preferential treatment, personal selling and courtesy. It has been found that reliability is the most important personnel variable influencing the choice of the bank in the case of the respondents of all the banks except SBI.

Han-Yuh, Liu (2007)\(^3\) tried to develop a framework for Customer Relationship Management (CRM) in Banking Industry in Taiwan, North America. Author came up with four major aspects governing CRM as follows:

1) Contact Channel Management  
2) Enterprise Wide Management  
3) Customer Data Management  
4) IT Management

He also studied the best practices followed by banking industry in Taiwan & North America. He focused on the best practices followed by Royal Bank of Canada (RBC) in Canada, Wells Fargo, Wachovia & Bank One in United States, Merita – Nord Banken Bank in North Europe, Chinatrust Commercial Bank & Bank Sinopac in Taiwan.

Ruta Urbanskiene, Daiva Zostautiene, Virginija Chreptaviciene (2008)\(^4\) attempted to study various existing models of Customer Relationship Management & give a summary of all these in a structured manner. They defined CRM as “A business strategy meant for development of customer relationship; and its results optimize profitability, income and meeting the needs of customers”. They concluded that, CRM is a system that integrates management of customer groups, establishment and management of marketing companies referring to relationship marketing.
Mamoun N. Akroush, Samer E. Dahiyat, Hesham S. Gharibeh, Bayan N. Abu (2011) focus on the following objectives:

1) To confirm the nature of relationship if any between CRM implementation components & Employees’ financial performance.
2) To confirm the nature of relationship if any between CRM implementation components & Employees’ marketing performance.

Authors concluded that

1) There exists a positive relationship between CRM implementation components & Employees’ financial performance.
2) There exists a positive relationship between CRM implementation components & Employees’ Marketing performance.
3) CRM Organization (CRMO) & Technology Based CRM (TBCRM) emerged as the most influential factors impacting employees’ Financial & Marketing performance.

T. Vijaya Kumar (2011) in his Ph. D. study titled “A Study on Customer Relationship Management In Retail Banks With Reference to Kancheepuram District, Tamilnadu” highlighted the various practices of Customer Relationship Management (CRM) in retail banking. It also focused on the various benefits the bank can get because of proper implementation of CRM. She concluded that, for development of long-term relationship with the customers, the bankers have to focus both internal and external service quality. As per the findings of this study, there exists a difference in the perception of service quality of customers & the bankers with respect to several aspects of customer relationship management. The researcher suggested the banks to appoint a dedicated relationship manager for measuring the satisfaction level of customers & to suggest various innovative products for customers. It is also suggested that, for designing the various products or services for customers, bank should encourage the participation of employees involved in product design / service delivery process.
C. Padmavathy, M.S. Balaji & V.J. Sivakumar (2012) tried to develop a multi-item scale for measuring the Customer Relationship Management effectiveness (CRME) in Indian retail banks and to examine its relationship with key customer response variable. The results of factor analysis revealed five dimensions for CRME, namely, organizational commitment, customer experience, process-driven approach, reliability of service and technology-orientation. Organizational commitment, process-driven approach and reliability of service were found to positively affect customer satisfaction. Reliability was found to have direct association with customer loyalty and both customer satisfaction and loyalty-influenced cross-buying.

Peeyush Pandey & H.K. Singh (2012) focused on following objectives:

1) To confirm whether there exists any Relationship between internal and external CRM dimensions and customer retention strategies in public and private sector banks in India.
2) To analyses the difference between public and private sector banks in reference to service quality parameters
3) To analyses the difference between public and private sector banks in reference to CRM implementations.

Researcher found out that there exists positive relationship between internal CRM dimensions & customer retention. While comparing the service quality between Public sector & private sector banks, researcher concludes that there is no difference in case of Reliability, Responsiveness, Assurance and Tangibility as a service quality parameter whereas; there exists a difference in Empathy parameter.

G. Venugopalan (2012) focuses on various innovative CRM strategies the commercial banks can adopt for ensuring high level of customer service & in the process ensure customer satisfaction & retention. Some of the innovative strategies are as follows:
- Increasing the bank timings for customer convenience.
- Redesigning the account opening form by adding few more points like the anniversary dates, children birthday etc. so that the bank can wish the customers on these days.
- Providing high level of hospitality to key customers i.e. offering of tea / coffee / cold drink etc. to customers when they visit the branch for some work.
- Banks can offer the loans at the doorstep of the customer by collecting all required documents from his/her place of living & hence he need not to visit branch for any loan related work.
- Some of the banks have introduced many innovative products in the area of corporate loan, retail loan, small and medium enterprise loan, agriculture loan and merchant credit.

Amit Chakrapani (2012)\textsuperscript{10} in his Ph. D. study titled “A Comparative Study of CRM Strategies in Indian Banking” focused on the importance of CRM in Indian Banking Industry. He examined about what CRM strategies are formulated by the Indian banking industry for the convenience & satisfaction of customers. He also assessed that how far the CRM strategies designed by banks have been successful in enhancing the satisfaction level of the customer. He examined the drawbacks of designed and implemented CRM Strategies by Indian Banking Industry. He concluded that both the bank employees & customers of public sector, Indian private sector & foreign banks feel that the CRM is significant for achieving high level of customer satisfaction, loyalty & retention.

Manish Dhingra and Vaishali Dhingra (2013)\textsuperscript{11} defined CRM as “a process of gathering related information about customers in order to provide them effective services”. Authors stated that “a close relationship with customers can be developed from a distance with e-responses”. They decided that five components of service quality are reliability, responsiveness, quality, empathy and assurance. Researcher collected the primary data through personal interaction with various customers of the HDFC& State Bank of India.
The authors listed following benefits gained by the customers through e-CRM.

a. Customer interaction and satisfaction
b. Speed of processing of transactions & their level of accuracy
c. Trust in the overall services of the bank.
d. Reliable employees, availability of the latest information technology.
e. Convenience (Customers can do transactions from their offices, homes etc. as per their convenient time).

Karel Kolis & Katerina Jirinova (2013) describe the link between Customer Relationship Management and the company’s financial performance. Authors tried to discover whether improved customer orientation leads to better financial (and other performance) results. The researcher defines CRM as a “process to manage customer relationship initiation, maintenance and termination across all customer contact points to maximize the value of the relationship portfolio”. The researcher found out that the coefficient of correlation between CRM (Customer Centricity Score) & financial performance of the company (Financial Performance Metrics) is 0.007 which shows that there exists a very low positive correlation between Customer Centric Approach by companies & Its Financial performance.

K. Ramesh (2013) highlighted the Indian Banking System with major focus on recent trends in banking industry, KYC (Know Your Customer) norms, Meaning of Customer Relationship Management (CRM) & its role in banking industry etc. He also focused on various benefits of implementing CRM in the bank. Along with this, he highlighted about how a bank can implement CRM for enhancing its profitability. According to the researcher, a customer relationship management (CRM) solution is best treated as a six-stage process as follows:

1. Collecting information
2. Storing information
3. Accessing information
4. Marketing more effectively
5. Analyzing customer behavior
6. Enhancing the customer experience.

Anil Kumar Yadav (2013)\textsuperscript{14} in his Ph. D. study titled “A Study of Customer Relationship Management (CRM) Practices In Banking Sector “studied the various aspects of CRM implementation in select commercial banks i.e. ICICI Bank, HDFC bank, Central Bank of India & State Bank of India. The focus was on identification of the benefits of implementing CRM in banks & problems associated with it. He concluded that, in case of SBI, more than 20% of the branches are aware about CRM practices. In case of ICICI Bank, less than 20% of the branches are aware about CRM practices. In case of Central Bank of India, less than 20% of the branches are aware about CRM practices. In case of HDFC Bank, less than 20% of the branches are aware about CRM practices.

Changiz Valmohammadi and Mohammad Beladpas (2014)\textsuperscript{15} highlighted the impact of CRM on Service quality of a bank. This research was carried out in “Sepah of Maku” bank in Iran. Authors define CRM as: “A management approach that enables organizations to identify, attract and increase retention of profitable customers, by managing relationships with them and Service Quality is defined as “the consumers’ judgment about a firm’s overall excellence or superiority”. Authors concluded that, “there exists a positive relationship between CRM & Service quality”. It is expected that as a result of successful implementation of CRM in the surveyed bank, its quality of service will improve. This research paper highlights the fact that “Providing customers with a good experience however and whenever they choose to contact you is a key part of managing relationships with them”.

Rajesh Mehrotra & Saurav Kumar (2014)\textsuperscript{16} tried to compare the Customer Relationship Management practices & level of customer satisfaction of two major telecom service providers i.e. Airtel & Reliance in the state of
Rajasthan. Also the authors tried to confirm the important factors for customers while they choose the Telecom Service provider for their use.

The researcher considered following components of service quality for comparison.

- a) Network availability
- b) Signal Quality
- c) Service provider’s ability to listen and understand a customer
- d) Various Schemes provided by the service providers
- e) Call rates (STD/ISD/LOCAL)
- f) Service delivery (promptly or delayed)
- g) Ease of access of call center
- h) Overall response of the service provider.

The authors concluded that Airtel & Reliance need to improve their Network quality. Majority of customers are satisfied with the signal quality of Airtel & Reliance both. When it comes to the Service provider’s ability to listen and understand a customer, Airtel is much ahead of Reliance. Airtel provides better schemes, call rates, ease of access of call center for its customers compared to Reliance.

Shu-Mei Tseng (2015) analyzes the impact of knowledge management capability & customer relationship management on service quality. Researcher proved that KMC and CRM are major factors to improve service quality. Enterprises can depend on the high KMC and use CRM to understand customer needs, to supply personalized information, and to increase the interaction between the enterprises and their customers. The growth of the organization is expected to be driven by customers, data mining, data warehousing and the integration between computer technology and explicit knowledge that will be useful to identify potential customer knowledge, maintain customer relationship, and enhance service quality.
2.2.2 Review of literature- Customer Satisfaction

Vimi Jham & Kaleetn Mohd Khan (2000) found out that there exist a significant positive relationship between level of customer satisfaction & banks performance. Researchers conclude that, banks need to develop unique relationship marketing strategies based on the regions they operate. The interaction between the bank employees & customers play a very crucial role in building strong relationships with customers. Customer satisfaction is different for different banks under study & also it has a significant impact on sales & profitability of the bank.

Winnie, Yuk-Lan-Wong & Gopal K Kanji (2001) stated that leading banks in Hong Kong have quickly adopted the innovative management technologies such as Total Quality Management, benchmarking and quality improvement teams. There is no uniform national measure of customer satisfaction system in Hong Kong. The overall customer satisfaction index of Hong Kong customers is found to be 68.5. The researchers attempt to provide the more insights into the existing body of knowledge of customer satisfaction in retail banking industry in Hong Kong.

Ming Chang Lee & Ing San Hwan (2005) focus on to examine any possible impact of Service Quality on Profitability of the Bank. Authors found out following outcomes from the research

- Service quality significantly influence the Customer satisfaction
- Customer Satisfaction positively influence the Purchase intention
- The profitability of the bank is affected by Customer satisfaction.
- With the improvement in Service quality, profitability also increases.
- Service quality influences the purchase intention more than does Customer Satisfaction.
- From the management perspective, Customer satisfaction positively influences the profitability.
Anantha Raj A. Arokiasamy (2007) tried to find the impact of customer satisfaction on customer loyalty and intentions to switch to other financial service providers. Customer satisfaction does have a positive effect on an organization’s profitability”. “Loyalty is something which may or may not be the result of customer satisfaction. There is always an element of doubt if customers think they can get better value for money in other institutions. Satisfaction is essential but not enough to induce loyalty among customers. In other words, we can have customer satisfaction without loyalty but it is difficult to have loyalty without satisfaction. Therefore, all organizations must try to satisfy their customers and ensure their loyalty”.

Arturo Molina, David Martin-Consuegra & Agueda Esteban (2007) analyze the impact of relational benefits achieved by a customer through a long term & stable relationship with a given bank on customer satisfaction in retail banking industry. This impact is analyzed by a causal model. In the retail banking environment, the confidence benefits have a positive & direct impact on customer satisfaction. However, special treatment benefits & social benefits do not have any significant impact on customer satisfaction.

Abdulkarim S. Al-Eisa and Abdulla & M. Alhemoud (2009) attempt to identify the most salient attributes that influence customer satisfaction with retail banks in Kuwait and to determine the level of the overall satisfaction of the customers of these banks. The most crucial attributes for customer satisfaction with retail banks in Kuwait were found to be fast service, courtesy, and helpfulness of employees and availability of self-banking services. The majority of the customers of retail banks in Kuwait (nearly 81 percent) are either satisfied or very satisfied with the services of their banks”.

Usha Lenka, Damodar Suar & Pratap K.J. Mohapatra (2009) found out that improved human, technical and tangible aspects of service quality enhance customer satisfaction. Human aspects of service quality are having high influence on customer satisfaction as compared to technical and
tangible aspects. Customers’ satisfaction has a positive impact on customer loyalty.

**Barbara Culiberg & Ica Rojsek (2010)** explored the service quality in a retail bank setting in Slovenia and its impact on customer satisfaction. Through factor analysis the various items are grouped / reduced to four dimensions of service quality as below:

1) **Reliability** (delivering the promised outputs at the stated level).
2) **Responsiveness** (providing prompt service and help to customers; the reaction speed plays a vital role here)
3) **Assurance** (ability of a service firm to inspire trust and confidence in the firm through knowledge, politeness and trustworthiness of the employees).
4) **Empathy** (willingness and capability to give personalized attention to a customer).

The importance of the findings is that all of the dimensions of service quality obtained influence customer satisfaction therefore banks cannot ignore any of these dimensions, however not all dimensions are equally important. Often it comes down to having confidence in the service provider’s skills and to trust that certain tasks have been performed properly. The information provided by this research can be used when designing marketing strategies to improve customer satisfaction in retail banking.

**Anubhav Anand Mishra (2010)** proved that there are several factors which influence the overall satisfaction level of the bank customers. These factors are: Core Services provided by the bank, Resolution of customers’ problems, Customer convenience, Customers’ continuation, parking facility provided. “Core services provided by the bank” has the highest influence on overall customer satisfaction followed by “resolution of customers’ problems” followed by “Customer convenience” followed by “Parking facilities provided” & “Customer continuation” has the least significant
impact on overall customer satisfaction. Interest rate policies (Interest provided on deposits & interest charged on loans) & charges levied by the banks on its various services do not have an impact on overall customer satisfaction level.

Dr. Pulidindi Venugopal & Aswini Priya (2015)\textsuperscript{27} tries to find out the significant association between occupation of the respondents and their response towards use of the website content which is quickly accessible and free from jams. To examine significant variance between marital status of the respondents and their response towards employee understanding of needs and wants of the customer& customer feeling of safety towards their transaction. Authors concluded that the occupation of the respondents and the use of website content of the firm which is quickly accessible and free from jams differ. The married respondents are satisfied with the safety of customer transactions. Also, the researchers proved that there is a significant association between occupation of the respondents and the flexible use of website content of the firm which is quickly accessible and free from jams.

2.2.3 Review of literature- Customer Loyalty

Istvan Szuts & Zsolt Toth (2008)\textsuperscript{28} discussed following problems in retail banking:

- How to develop loyalty programs that further builds relationships with customers
- What rewards should be decided for banks customers.
- How to evaluate the reason and effects of a loyalty program.

Researchers concluded that, some retail banks successfully implements loyalty programs according to products or services. Also, the nature of retail banking is dispute for developing relationship-based programs with customers. To support in meeting cross-selling goals, a relationship focus in loyalty programs can also prohibit communication mistakes that result from
one product group within the bank not knowing the true value of a customer's total relationship with the bank.

Sandip Ghosh Hazra & Kailash B L Shrivastava (2009) look over the service quality and its effect on customer loyalty, commitment and trust in public & private sector banks. This study assessed the strength of the association between service quality perception & customer loyalty, commitment and trust. The researcher found out that the customers value four dimensions of perceived service quality i.e. assurance-empathy, tangibles, security & reliability. The assurance-empathy is valued the most by customers.

Customers very much expect personal attention along with an understanding of their specific needs by the banks. Also, regarding the differences in customer loyalty, response to problems, willingness to pay, customer commitment& customer trust across banks, it was observed that there were no significant differences in customer trust and response to problems between the public sector and private sector banks. A significant difference was observed for customer loyalty, willingness to pay& customer commitment. The private sector banks showed that improvement in reliability of service makes differences in customer commitment and willingness to pay, whereas enhancements in security aspect make differences in loyalty to a company for the public sector banks.

S Arun Kumar, B Tamil Mani, S Mahalingam & M Vanjikovan (2010) tries to overcome the gap in the service quality which determines customer satisfaction and attitudinal loyalty by exploring the dimensions of customer alleged service quality in the context of Indian retail banking industry. The results of this study indicate that improvement in service quality will have significant positive impact on behavioral aspects like customer loyalty. The researcher feels the need for the commercial banks to identify the factors of service quality influencing customer loyalty. Researcher believes that the customer loyalty exists only if “customers say positive things about their bank”, “customers recommend their bank to the people asking for their
advice”, “customers encourage their friends, relatives & colleagues to do business with their bank”, “customers consider their bank as the first choice to avail retail banking services” and “consider doing more business with their bank in next few years”.

Bilal Afsar, Zia Ur Rehman, Jaweria Andleeb Qureshi and Asad Shahjehan (2010)\textsuperscript{31} tries to decide main objectives of the customer loyalty in banking industry of Pakistan so that it helps to support their customers & having more loyal customers. Researchers found out that, effect of satisfaction and trust on commitment is major & positive. Also, greater the satisfaction, commitment is greater and the greater the trust the commitment is greater. The effect of apparent quality on satisfaction is positive and considerable but low. The effect of satisfaction, switching cost and commitment on customer loyalty is positive and significant.

Arvinlucy Akinyi Onditi, et. al (2012)\textsuperscript{32} tries to set up implications of service quality on customer loyalty in the banking sector in Homa Bay County, Kenya. The authors found out that service quality is a major determinant of customer loyalty in the banking sector. Also, the service quality is the significant determinant of customer loyalty among customers in the banking sector in Homa Bay County, as service quality is the only variable which has a major association with customer loyalty among customers whom had changed banks in the last three years and whom had not changed their banks for the same period.

Rizwan Ali, Gao Leifu and Ramizur Rehman (2014)\textsuperscript{33} focus on following objectives for research:

- To observe service quality impact on customer loyalty
- To analyze impact of trust on customer loyalty, and
- To study the reputation impact on customer loyalty.

Authors concluded that, service quality has major effect on customer loyalty in terms of value added service, call quality and customer support. Trust has
major impact on customer loyalty. Also, reputation correlated and significant impact on customer loyalty.

**Navneet Kaur and Ravi Kiran (2015)**\(^\text{34}\) try to find out the difference in the e-banking service quality features of public, private and foreign sector banks. Authors define the relation between customer loyalty and service quality factors in banking sector to help banks to increase customers’ satisfaction. Authors concluded that foreign sector banks provide better service quality than public & private sector banks. Public sector banks are more convenient than private sector banks in terms of convenient & safety of internet banking. Moreover, service quality features could be categorized into convenience, access, security & website interface.

### 2.3 Theoretical Background

In this topic, the researcher has studies the theoretical background for Customer Relationship Management (CRM) which is the core aspect involved in this study.

In this study, Customer Satisfaction & Customer Loyalty is acting as dependent variables. Theoretical background about these two variables is also developed.

#### 2.3.1 Theoretical Background - Customer Relationship Management

CRM can be broken down and segmented into two categories as follows:

1. CRM Philosophy
2. CRM Strategy

The researcher will now present a summary of the literature specific to these areas.
2.3.1.1 CRM Philosophy

Chen I.J. & Popvich Coltmanet & et al.\textsuperscript{35} defined that people, processes and technology are essential & equal components to build CRM.

Reinartzet & et al\textsuperscript{36} define CRM as a “process to manage customer relationship initiation, maintenance and termination across all customer contact points to maximize the value of the relationship portfolio”.

Almshari\textsuperscript{37} stated that CRM is a process which helps in collecting various pieces of information related to customers, sales, marketing effectiveness, responsiveness and market trends.

Yao & Khong\textsuperscript{38} define CRM as a management technique used for maximization of customer equity.

Hobby\textsuperscript{39} sees the CRM as “a management approach that enables organizations to identify, attract & increase retention of profitable customers by managing relationships with them.”

Brown\textsuperscript{40} states that CRM is an approach that recognizes that customers are the core of the business and that the organization's success / failure depends on effectively managing / not managing relationships with them.

From Kincaid’s\textsuperscript{41} point of view, CRM is a total discipline that can be linked to a manufacturing business as it uses a machine (CRM technology) & power (people) to turn raw material (customer information) into products (processes and interactions that build customer loyalty).

Pendharkar\textsuperscript{42} states that CRM is the focus of keeping customers and building a strong relationship with them, thus enhancing customer loyalty.

As per Lin and Su\textsuperscript{43} CRM is a great opportunity to increase customer value and provides a way to systematically attract, acquire and retain customers.
Nancarrow, Rees, and Stone\textsuperscript{44} believe that CRM is a process which involves identifying customer needs & expectations, managing them, closely monitoring the customer experience, anticipating problems & taking appropriate actions to foster and nurture relationships.

Eichorn\textsuperscript{45} states that CRM is a set of tools and processes marketed to large organizations as a way of facilitating comprehensive customer service organization-wide.

2.3.1.2 CRM Strategy

According to Brown\textsuperscript{46}, CRM is a business strategy that aims to understand, anticipate and manage the needs of an organization’s current and potential customers.

As per Parvatiyar and Sheth\textsuperscript{47}, CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the organization and the customer.

According to Knox, et. al.\textsuperscript{48}, CRM is a business strategy focusing on winning, growing and keeping the right customers.

Kincaid\textsuperscript{49} is of the opinion that CRM is the strategic use of processes, information, technology and people to manage the customer relationship with an organization across the whole customer life cycle.

According to Lambert\textsuperscript{50}, Customer relationship management (CRM) is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group.

Massey\textsuperscript{51} believes that CRM is about attracting, developing maintaining and retaining profitable customers over a period of time.
Gooding\textsuperscript{50} states CRM, as interactive process with the purpose of getting more profit.

As per Hansotia\textsuperscript{51}, implementing CRM can be attributed to the organizations ‘‘readiness in developing a customer-focused business strategy as it is only at this point that mutual benefits for both the organization and customer become evident’’

According to Rigby & et. al\textsuperscript{52} CRM ‘‘allows companies to gather customer data swiftly, identify the most valuable customers over time, and increase Service Quality by providing customized products and services’’

Flanagan and Sadie\textsuperscript{53} stated that, CRM comprises the acquisition and deployment of knowledge about customers to enable a company to sell more of their product and service more efficiently.

Bradshaw & Brash\textsuperscript{54} defines CRM as: A management approach that enables organizations to identify, attract and increase retention of profitable customers, by managing relationships with them.

From the above points it can be summarized that,

Customer relationship management refers to a set of relational practices that firms adopt to enhance customer relationships.

It can be said that in today’s extremely competitive business environment prevailing in Banking Industry, CRM is a vital & crucial tool for not only growing the business but also for its survival.

The Customer Relationship Management can be sub-categorized in following five components:

i. Customer Experience - Management of Customer Experience i.e. Customers should be provided with most positive experience about the bank through quality interaction with the bank regardless of
communication channel (visit to branch / ATM, Internet banking, Mobile banking, Phone banking).

ii. **Process Driven Approach** - Management of Service Delivery Processes i.e. Service delivery processes should be customer friendly, less time consuming & easy to execute.

iii. **Reliability of service** – providing Error free & timely services to customers all the times.

iv. **Technology orientation** – Managing Technology provided by the bank for customer’s convenience i.e. - ATM, Internet banking, Phone banking, Mobile banking.

v. **Bank commitment (towards its customers)**: Taking regular feedback on service performance, customer satisfaction, improvement areas & fulfilling the gap between expected service quality & perceived service quality etc.
Following figure depicts the various components of CRM:

![Figure No. 2.1: CRM Components](source: Primary & secondary data)

**2.3.2 Theoretical Background - Customer Satisfaction**

On the surface, customer satisfaction seems to be an uncomplicated concept. However, its definition is not a static one and has evolved over time.

According to Beerli & et. al\textsuperscript{55}, customer satisfaction is a result obtained from a customer’s before purchase comparison of expected function with perceived function and the paid price.

Customer satisfaction is the main result of marketer’s activity acting as a relationship between different stages of consumer’s purchase behavior.
For example, if customers are satisfied by certain services, they will likely repeat their purchase. Some other researchers define customer satisfaction as, “it is the consumer’s response to the evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product as perceived after its consumption.”

Ajimon George & G.S. Gireesh Kumar\textsuperscript{56} state that Customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service.

2.3.3 Theoretical Background - Customer Loyalty

According to Sandip Ghosh, Hazraand Kailash & B L Srivastava\textsuperscript{29}, Customer loyalty is defined as repeated purchasing and referring a company to other customers, generating positive and measurable financial results.

Bowen and Shoemaker\textsuperscript{57} are of the opinion that Customer loyalty is concerned with the likelihood of a customer returning, making business referrals, providing strong word-of-mouth references and publicity.

Improvements in retention and increase in the share of a company are the obvious economic benefits of customer loyalty.
2.4 The conceptual Framework of the study:

Following diagram depicts the conceptual framework of the study:

**Figure No. 2.2**
Conceptual Framework of study

[Source: Generated by researcher]

In this study, researcher has studied the impact of

a. CRM as a whole on Customer Satisfaction, Customer Loyalty & Bank profitability.

b. All individual components of CRM on Customer Satisfaction, Customer Loyalty & Bank profitability.

c. Customer Satisfaction on Customer Loyalty

d. Customer Loyalty on Bank Profitability
2.5 Hypothetical Models of study

In this study, researcher has used two hypothetical models based on the objectives of the study which are as follows:

2.5.1. Hypothetical Model No. 1

This second order Structural Equation Model (SEM) was used to study:

1. The impact of CRM as a whole on Customer Satisfaction, Customer Loyalty & Bank Profitability.
2. The impact of Customer Satisfaction on Customer Loyalty
3. The impact of Customer Loyalty on Bank Profitability

Figure No. 2.3
Hypothetical Model No. 1

[Source: Generated by researcher]

Note: The arrows in the above figure signify assessing of impact.
2.5.2 Hypothetical Model No. 2

This first order Structural Equation Model was used to study the impact of all individual components of CRM i.e. Customer Experience (CE), Process Driven Approach (PDA), Reliability of Service (RS), Technology Orientation (TO) & Bank’s Commitment on Customer Satisfaction, Customer Loyalty & Bank Profitability.

Figure No. 2.4
Hypothetical Model No. 2

[Source: Generated by researcher]

Note: The arrows in the above figure signify assessing of impact.
REFERENCES


32. Arvinlucy Akinyi Onditi, Dr. Moses N. Oginda, Dr. Isaac Ochieng and Dr. Willis Oso, “Implications of Service Quality on Customer Loyalty in the Banking Sector. A Survey of Banks in Homabay County, Kenya”, International Journal of Business and Social Science, 3 (21), 223-233


37. Almshari (2000), CRM the web way, PC Magazine, 19 (5)


